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February 10, 2006

### **AGENDA ITEM 3**

#### **TO: MEMBERS OF THE PERFORMANCE AND COMPENSATION COMMITTEE**

- I. SUBJECT:** Second Quarter Status Reports on Performance Plans of the Chief Executive Officer, Chief Actuary, Chief Investment Officer and His Direct Reporting Staff
- II. PROGRAM:** Administration
- III. RECOMMENDATIONS:** Recommend the Board Accept Second Quarter Status Reports on the Performance Plans of the Chief Executive Officer, Chief Actuary, Chief Investment Officer and His Direct Reporting Staff  
  
Recommend that the Board Approve Changes in the Performance Plans of the Chief Executive Officer and the Senior Investment Officer, Fixed Income

#### **IV. ANALYSIS:**

The Compensation Policies and Procedures provide that, at the end of each quarter in the fiscal year, executives will prepare short status reports on their respective performance plans for the Performance and Compensation Committee. Attached are the quarterly status reports for the second quarter of the 2005-2006 Fiscal Year for the Chief Executive Officer, Chief Actuary, Chief Investment Officer and the Senior Investment Officers.

Quarterly status reports provide a means for informing the Committee of progress toward achieving the quantitative and qualitative measures in the performance plans. If needed, performance measures may be added, amended or deleted as part of the quarterly review process.

A change is proposed for the Chief Executive Officer to add the "Retirement Application for Disability Accelerated Response" Project (RADAR) to the list of Special Projects on his performance plan. This is a priority for the organization and meets the Special Project criteria for inclusion on the CEO's plan.

Changes proposed in the plan for the Senior Investment Officer, Fixed Income add the CalPERS Opportunistic Programs factor to the quantitative measures of the performance plan. It was inadvertently excluded from this year's performance plan when it was developed. An additional proposed change updates the incentive schedule for Credit Enhancement performance to reflect the change in focus on the program's earnings rather than on volume, and is consistent with the plan of the Portfolio Manager, Opportunistic Fixed Income.

**V. STRATEGIC PLAN:**

Under Goal V of the Strategic Plan, CalPERS is committed to sustaining a high performance work culture. This can be accomplished at the highest executive levels through the establishment of methods that provide broad flexibility in the recruitment, retention and compensation of key personnel.

**VI. RESULTS/COSTS:**

The establishment of performance plan measures is critical to the management of a competitive compensation program for executives at the highest levels of the organization. This, in turn, is critical to the success of the organization. The cost of performance awards that might arise from the recommendations in this item will be funded from existing resources.

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Chris O'Brien, Chief  
Human Resources Division

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Gloria Moore Andrews  
Deputy Executive Officer - Operations

Attachments

**Quarterly Incentive Plan Status Reports  
Second Quarter 2005-2006 Fiscal Year**

The FY 2005-06 second quarter status reports are presented in the following order:

<u>Position</u>	<u>Current Incumbent</u>
Chief Executive Officer	Fred Buenrostro
Chief Actuary	Ron Seeling
Chief Investment Officer	Mark Anson*
Senior Investment Officer, Alternative Investments	Leon Shahinian
Senior Investment Officer, Asset Allocation and Risk Management	Pat Pinkos
Senior Investment Officer, Fixed Income	Curtis Ishii
Senior Investment Officer, Global Equities	Christy Wood
Senior Investment Officer, Real Estate	Michael McCook

\* Mr. Anson left CalPERS in January 2006. His second quarter status report covers the period from October 1 through December 31, 2005.